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LATHAM & WATKINS LLP

July 18, 2013

VIA FAX AND OVERNIGHT MAIL

Angelo, Gordon Management LLC
245 Park Avenue, 26th Floor
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Attention: Forest Wolfe
Fax: (212) 338-9611

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File No. 050058-0003

[Additional Recipients Listed on Attachment A]

Re: Notice of Claims

Dear Mr. Wolfe:

We represent 2100 Trust, LLC ("Claimant") in connection with that certain Agreement and Plan of Merger, dated as of June 9, 2012, by and among Freedom Communications Holdings, Inc., 2100 Trust, LLC and 2100 Freedom, Inc. (the "Merger Agreement"). Pursuant to Section 8.04(a) of the Merger Agreement, Claimant hereby provides notice that it seeks indemnification under the Merger Agreement, and provides notice of Claimant's intention to pursue claims for fraud in connection with the transaction consummated by the Merger Agreement. This notice is based on facts available to Claimant from its investigation to date; Claimant reserves the right to provide further detail as information becomes available.

I. THE COMPANY BREACHED ITS REPRESENTATIONS AND WARRANTIES

Pursuant to Section 8.02(a)(i) of the Merger Agreement, Claimant seeks indemnification for the following breaches of the Company's¹ representations and warranties:

A. Improper Inclusion of Float as Cash

In preparing the financial statements presented to Claimant, the Company improperly categorized as cash monies that were float. This mischaracterization is plainly improper accounting and created the appearance that the Company had more free cash on hand than it actually did. Moreover, it flies in the face of the parties' express discussion of this issue prior to execution of the Merger Agreement. During those discussions, Claimant on multiple occasions

¹ Unless otherwise indicated, capitalized terms are defined as set forth in the Merger Agreement.

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stated that the Company should not include float amounts in the cash calculation. This deliberate misconduct constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials “were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods” and “present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries.”

The estimated amount of Losses attributable to this breach and fraud is ***\$1,850,000***.

B. RSU Calculation

In the period before the Closing, the Company revised downward its internally-calculated stock price and represented that there would be sufficient cash in the Company to fund post-Closing tax obligations. However, the Company failed to revise the price for Restricted Stock Units (“RSUs”) and did not disclose this failure to Claimant. Had the Company disclosed its failure to revise the price for RSUs to be consistent with the revised price of Company Common Stock, Claimant would have insisted on a purchase price revision, the inclusion of additional cash reserves or an increased Indemnification Escrow Amount (“Escrow”) to cover future Company tax obligations. This knowing misconduct constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials “were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods” and “present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries.”

The estimated amount of Losses attributable to this breach and fraud is ***\$1,200,000***.

C. Third-Party Transaction Net Working Capital Adjustments

Prior to the Closing, the Company and its management were aware of an aggregate of \$1.45 million in obligations to pay net working capital (“NWC”) adjustments, in connection with the Disposition Transactions involving third-party buyers of assets sold by the Company prior to the Closing. Rather than disclosing these expected NWC obligations, or their amounts, to Claimant before the Closing – much less disclosing that they were likely to be material and would consume the majority of the Escrow – the Company and its management withheld information about these obligations from Claimant until shortly after the Closing. In so doing, the Company and management ensured that the full amount of these claims would be paid out of the Escrow, rather than from proceeds of the sale of the Company payable to shareholders, thereby shifting this obligation from selling shareholders of the Company to Claimant and depleting the majority of the Escrow. This constitutes fraud and violates Section 3.05(b) of the Merger Agreement, in which the Company represented that it had no Liabilities and that there was no “existing condition, situation or set of circumstances which [was] reasonably expected to result in such Liabilities,” other than as disclosed.

The estimated amount of Losses attributable to this breach and fraud is ***\$1,614,398***.

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D. Improper Bad Debt Allowance

Without disclosing it to Claimant, the Company knowingly booked an improper bad debt reversal in its NWC calculations, in connection with the Disposition Transactions involving the newspapers that it sold immediately prior to selling Freedom to Claimant. The Company did this in order artificially to receive more cash from those buyers. It knew that when the improper bad debt reversals were refused by the third-party buyers, the Company shareholders would not have to return the cash, but rather that Claimant would bear the loss. The Company and its management personnel intended for this to take place, effectively shifting the cash proceeds from Claimant to the selling shareholders. This constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials "were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods" and "present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries." In addition, this violates the Company's obligation to provide a "good faith estimate" of the Working Capital as of the Closing Date under Section 2.12(a). Finally, this violates Section 3.05(b) of the Merger Agreement, in which the Company represented that it had no Liabilities and that there was no "existing condition, situation or set of circumstances which [was] reasonably expected to result in such Liabilities," other than as disclosed.

The estimated amount of Losses attributable to this breach is **\$2,170,000**.

E. Net Working Capital Calculation

The Company deliberately overstated its NWC. Among other things, it failed to update the NWC to reflect the most recent, accurate figures before the Closing. The Company did so knowing that such updated numbers would reflect adversely on the Company's financial health. Specifically, the Company used figures from June 30, 2012, rather than the more-recent July 25, 2012 numbers. Moreover, when Claimant raised specific concerns about this issue before the Closing, the Company explicitly represented to Claimant that using June 30, 2012 figures, rather than July 25, 2012 figures, would benefit Claimant. This constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials "were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods" and "present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries." In addition, this violates the Company's obligation to provide a "good faith estimate" of the Working Capital as of the Closing Date under Section 2.12(a).

The estimated amount of Losses attributable to this breach and fraud is **\$8,051,000**. When Claimant raised this NWC issue with the Stockholder Representative, it made no objection to releasing the Escrow funds to cover these undisputed Losses, effectively conceding that these amounts are owed to Claimant. However, in light of the Company's other misrepresentations,²

² The rest of the Escrow had previously been used to cover Losses associated with the Disposition Transaction NWC adjustments, discussed above. Accordingly, the full amount of the Escrow has now been exhausted.

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only \$385,602 remained in the Escrow to cover these and other Losses. Accordingly, a balance of at least \$7,665,398 in connection with the fraudulent NWC calculation remains outstanding.

F. Pension Liability

Prior to Closing, the Company and its management provided Claimant with a calculation of unfunded pension liabilities (conducted by a third-party actuarial consultant) in the amount of \$114 million. However, in the weeks leading up to the Closing, Company management were provided with a significantly larger calculation of these liabilities, in the amount of \$141 million. It was only through the use of an improper interest rate that the lower calculation was obtained. The Company and its management knew that the wrong interest rate had been used, and knowingly concealed this massive unfunded pension liability from Claimant, in order to avoid the significant adjustment in purchase price that would have been triggered by the much higher pension liability.³ This constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials "were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods" and "present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries." In addition, this violates the Company's obligation to provide a "good faith calculation" of the Closing Pension Adjustment Amount seven days prior to the anticipated Closing Date under Section 2.13. Finally, this violates Section 3.05(b) of the Merger Agreement, in which the Company represented that it had no Liabilities and that there was no "existing condition, situation or set of circumstances which [was] reasonably expected to result in such Liabilities," other than as disclosed.

The estimated amount of Losses attributable to this breach and fraud is ***\$31,000,000***.

G. Credit Card Charges

In its financial statements, the Company purposefully mislabeled credit card charges as "transaction fees." As a result, these amounts were misrepresented as one-time expenses, rather than ongoing expenses, and were excluded from the calculation of EBITDA. Had these expenses been taken into account, the Company's calculated EBITDA and the purchase price would have been significantly lower. Simply put, as a result of this misrepresentation by the Company, the purchase price was inflated by more than \$10 million. This constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials "were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods" and "present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries."

The estimated amount of Losses attributable to this breach and fraud is ***\$10,246,000***.

³ Under the Merger Agreement, the Merger Consideration was defined to take into account any Closing Pension Adjustment Amount. See Merger Agt. § 1.01. The Company was required to provide a "good faith calculation" of this amount to Claimant seven days prior to the Closing. See Merger Agt. § 2.13.

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H. Corporate Overhead

The Company significantly overstated the potential savings that would arise from corporate overhead, particularly with respect to IT. The Company disclosed to Claimant the actual corporate overhead based on the substantially smaller business contemplated post-Closing (*i.e.*, with only six newspapers and no television stations). This was not a forecast or a projection, but was instead presented as a detailed PowerPoint presentation containing an evaluation conducted for the Company, pertaining specifically to IT costs associated with operating the remaining newspapers. This was material component of the EBITDA calculation for the remaining business and purchase price paid by Claimant. In truth, the figures for the Company's IT expenditures are grossly understated and below what is necessary to operate the remaining newspapers. This constitutes fraud and violates Section 3.05(a) of the Merger Agreement, in which the Company represented that its financial materials "were prepared in accordance with the books and records of the Company and with GAAP, consistently applied during the applicable periods" and "present fairly in all material respects the consolidated financial position of the Company and its Subsidiaries."

The estimated amount of Losses attributable to this breach is **\$6,200,000**, *i.e.* the difference between the remaining corporate overhead represented by the Company (\$9.4 million) and the actual corporate overhead (\$15.6 million).

II. THE COMPANY'S AND ITS PERSONNEL'S CONDUCT CONSTITUTES FRAUD

As explained above, Claimant's investigation to date confirms that the Company and its management deliberately concealed significant, material information and made a variety of misrepresentations, all in an effort to inflate the purchase price paid by Claimant. It is evident that the Company and its management not only intentionally deceived Claimant in multiple, material ways, but it went to great lengths to induce Claimant's reliance on false or incomplete information. The Company and its management did so in order to preclude Claimant from learning accurate, material information prior to execution of the Merger Agreement and the Closing, so that Claimant could not back out of the transaction, insist on purchase price adjustments, and/or insist on additional Escrow amounts or cash reserves to address these issues.

As a consequence of the Company's and its management's deliberate misrepresentations and concealment of material information, the purchase price Claimant paid for the Company substantially exceeded the actual fair market value of the Company. Claimant was precluded from making an accurate assessment of the fair market value of the Company, due to the Company's failure to disclose accurate information about the issues set forth above. Claimant, and any other arms-length third-party buyer, would have paid substantially less for the Company, or insisted on post-Closing protections, had accurate financial information been disclosed by the Company. As such, the actual value of the Company is substantially less than the value paid by Claimant to acquire it. Among other things, Claimant is entitled to that difference in value. *See, e.g., Stephenson v. Capano Dev., Inc.*, 42 A.2d 1069, 1076 (Del. 1983) (damages for "fraud or deceit" include "the difference between the actual and the represented values of the object of the transaction," or "the difference between what . . . the buyer paid . . . and the actual value").

Page 6

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The estimated amount of damages attributable to the Company's fraud exceeds the balance of the Escrow (which, as noted, has been fully exhausted). In light of the Company's fraud, even assuming the Merger Agreement is held valid and enforceable, Claimant is not restricted to recovering its damages from the Escrow Amount, nor is its recovery subject to the Deductible. *See* Merger Agt. § 8.07 (indemnification remedies are exclusive "except with respect to fraud"); *see also Abry Partners V, L.P. v. F&W Acq. LLC*, 891 A.2d 1032, 1064 (Del. Ch. 2006) (exclusive remedies not enforceable where "the Seller knew that the Company's contractual representations and warranties were false" or "the Seller itself lied to the buyer about a contractual representation and warranty"). Accordingly, Claimant is retaining certain Holdback Amounts under Section 5.18(c) of the Merger Agreement as a partial offset of the damages occasioned by the Company's fraud to the extent they exceed what remains in the Escrow Amount.

Please feel free to contact me if you or your counsel have any questions regarding the foregoing. I can be reached at (213) 891-8679.

Very truly yours,



Daniel Scott Schecter
of LATHAM & WATKINS LLP

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